

Message Text

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43

ACTION NEA-12

INFO OCT-01 AF-10 EUR-25 ADP-00 NEAE-00 SSO-00 NSCE-00

USIE-00 INRE-00 CIAE-00 DODE-00 PM-09 H-02 INR-10

L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 EB-11

COME-00 TRSE-00 INT-08 SCEM-02 OPIC-12 CIEP-02 AID-20

FPC-01 RSR-01 /159 W

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O R 151330 Z MAY 73

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC NIACT IMMEDIATE 2299

INFO AMEMBASSY JIDDA IMMEDIATE

AMEMBASSY KUWAIT

AMEMBASSY TRIPOLI

AMEMBASSY LONDON

AMCONSUL DHAHRAN

C O N F I D E N T I A L TEHRAN 3363

E. O. 11652: GDS

TAGS: ENRG, IR

SUBJECT: OIL/ GOI/ CONSORTIUM NEGOTIATIONS

REF: TEHRAN 3165

1. BRAZELL AND OTHER U. S. MEMBERS CONSORTIUM TEAM CALLED ON ECONCOUNSELOR AND PETOFF MAY 12 AND MAY 15 TO BRIEF ON NEGOTIATIONS. REPORTED THAT PROGRESS HAS CONTINUED AND QUICKENED ALTHOUGH A FEW LESSER ISSUES AND THE MAJOR ONE OF GAS REMAINED UNRESOLVED. BOTH SIDES NOW EXPECT TO GO TO LONDON ON MAY 17 TO BEGIN DRAFTING LANGUAGE OF AGREEMENTS (THIS HAS BEEN CONFIRMED BY NIOC SOURCE).

2. AMONG THE LESSER ISSUES, ON ARBITRATION, THE PARTIES HAD BEEN AGREED THAT IN THE EVENT OF AN IMPASSE BETWEEN ARBITRATORS CHOSEN BY THE TWO SIDES, THE INTERNATIONAL CHAMBER OF COMMERCE
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IN PARIS WOULD APPOINT A THIRD ARBITRATOR WHOSE JUDGMENT WOULD BE FINAL. HOWEVER, THE IRANIANS ARE NOW INSISTING THAT HIS JUDGMENT BE EXECUTED UNDER IRANIAN LAW AND THROUGH IRANIAN COURTS, A POSITION TOTALLY UNACCEPTABLE TO THE CONSORTIUM. CONCERNING RELINQUISHMENTS, NIOC HAD ASKED CONSORTIUM TO YIELD ISLAND IN ITS AREA (I. E., KHARG, QESHM, ETC.) AS WELL AS 30 PER CENT OF MAINLAND AREA; CONSORTIUM SAYS 30 PERCENT MUST BE CALCULATED ON TOTAL SURFACE AREA OF CONCESSION. THIS LATTER HAS NOW BEEN AGREED.

3. CONCERNING GAS, NOW APPEARS TO BE AGREED THAT CONSORTIUM HAS FIRST RIGHT ON BOTH ASSOCIATED AND NON- ASSOCIATED GAS NOT REQUIRED INTERNALLY NOR EXPORTED BY NIOC THROUGH A DIRECT PIPELINE. ALSO AGREED THAT CONSORTIUM MAY TAKE SUCH ASSOCIATED GAS AT COST AS PROVIDED IN 1954 AGREEMENT (AT PRESENT THERE IS ONLY A SMALL AMOUNT OF THIS AVAILABLE), BUT ON NON- ASSOCIATED GAS, NIOC WANTS CONSORTIUM TO PAY A DISCOUNTED MARKET PRICE WHICH WOULD BE HIGHER THAN COST.

4. PHASE- IN AND BRIDGING OIL PRICES HAD BEEN THE MAJOR STUMBLING BLOCK BUT THEY HAVE NOW BEEN RESOLVED SATISFACTORILY. ARMFIELD SOCARB BELIEVES THAT WORKING OUT THE TOTAL PRICING FORMULA WILL PROCEED SMOOTHLY.

5. RE GAS, FALLAH HAD PROPOSED THAT GAS ISSUE BE LEFT FOR LATER DISCUSSION BUT COMPANY REPS ARE INSISTING THAT IT BE CLEARED UP PRIOR TO THE OVERALL AGREEMENT. CONSORTIUM REPS ASKED EMBASSY BE PREPARED INTERCEDE AT APPROPRIATE LEVEL IN CONCERT WITH UK EMBASSY IF IT BECAME NECESSARY. WE HAVE AGREED TO CONSIDER PRESENTING PAPER TO COURT MINISTER SHOULD WE BE ASKED-- BUT ONLY IF ASKED. UK AMBASSADOR UNWILLING APPROACH SHAH ON QUESTION WITHOUT INSTRUCTIONS FROM LONDON. FYI- RAMSBOTHAM RAISED MATTER WITH SHAH FOUR OR FIVE DAYS AGO AND WAS SOMEWHAT COOLY REBUFFED. END FYI. BOTH WE AND BRITS BELIEVE THAT IF SHAH' S INFORMATION RE LEAPFROGGING POSSIBILITIES INHERENT IN HIS PRESENT GAS POSITION IS FAULTY, IT IS UP TO COMPANIES TO PRESENT COGENT INFORMATION, NOT EMBASSIES.
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